

[Mr. Chairman] [24th February 1961]

The Council will meet daily at 3 p.m. Further programme of business will be decided later.

Notice of amendments to the Madras State Housing Board Bill, 1961, should reach the Secretary before 5 p.m. on the 2nd March 1961.

III.—CALLING ATTENTION TO FAILURE OF MANagements OF AIDED PRIVATE SECONDARY SCHOOLS IN PAYMENT OF SALARIES TO TEACHERS.

SRI T. P. SRINIVASAVARADAN : Mr. Chairman, Sir, Under Rule 41 (1) of the Madras Council Rules, I request your permission to call the attention of the Hon. Minister for Finance, to a matter of urgent public importance, namely, the failure on the part of a number of managements of aided private secondary schools in the payment of salaries due to teachers for periods over six and ten months as in the case of Mandirammoorthy High School, Tirunelveli, and K. M. Kuppusami Mudaliar's Hindu High School, Arkonam, and the consequent deterioration in the morale in the standard of instruction imparted in such high schools. Since such failure on the part of managements of aided private secondary schools in the payment of salaries due to teachers tends to become frequent in a number of schools, it becomes necessary for the Government to call for higher endowments or to place such institutions in charge of the local bodies concerned.

THE HON. SRI C. SUBRAMANIAM : The suggestions contained in the notice of motion have been noted and will be taken into account while implementing the recommendations of the Education Grants Committee which are under the consideration of Government.

SRI MOHAMED RAZA KHAN : It is just the other way round. The statement is usually longer than the motion. This seems to be a new procedure.

IV.—GOVERNMENT BILLS.

THE MADRAS CHIT FUNDS BILL, 1961 (L.A. BILL NO. 5 OF 1960).

*** THE HON. SRI R. VENKATARAMAN :** Mr. Chairman, Sir, I move—

‘That the decision on clause 22 be rescinded and the clause reopened.’

Sir, yesterday, before we rose for the day I accepted an amendment proposed by the hon. Member Sri Patanjali Sastri. On scrutiny I find that the amendment does not fit into the provisions of the Bill. I will briefly explain the position.

24th February 1961] [Sri R. Venkataraman]

If, I give an illustration it will make the legal position clear. Let us take a chit fund of Rs. 1,000, say, with the monthly instalment of Rs. 100. A person may have paid four instalments. That is he would have paid Rs. 400 and might have defaulted after that. Then a new substituted member may not be found immediately. Only one or two months later the substituted member will come in. In the interim period the chit amount has got to be paid to the other members on the monthly draw and therefore it is the practice on the part of the foreman to contribute that amount for the period when there is no substitute member. When there is a default and before a substitute member comes in the foreman usually finds the chit amount. Let us take it that for two months the foreman makes this contribution. That will make it Rs. 600. Then the substitute member comes in. He will have to pay this member in the place of the defaulting member. Out of this Rs. 600 according to sub-clause (3) of clause 21, the foreman can appropriate Rs. 200, that is, the amount which he has paid and he should deposit the balance of Rs. 400 which is the amount which has been paid towards the arrears, that is, the four month period for which the defaulting member has contributed. In order to prevent the foreman from using this Rs. 400 for other purposes, sub-clause (3) of clause 21 has provided that the Rs. 400 should be deposited in the bank. Now if the substituted subscriber draws the chit in the ninth month he will be entitled to Rs. 900. Out of this the foreman will take the contribution made by the defaulting subscriber, namely, Rs. 400, and pay it to the defaulting subscriber. He will appropriate the Rs. 200 towards his amount and the balance of Rs. 300 will be paid to the substituted member. Therefore in clause 22, we say that when the substituted subscriber draws the prize amount the defaulting subscriber shall be entitled to recover from the foreman the contribution made by him, namely, Rs. 400. (An hon. Member: Contribution means subscription.) Yes, we use the word contribution in respect of subscriptions because if we say subscription it will mean the chit instalment amount. Contribution means the instalments paid by the subscriber minus the dividends earned during that period. If the dividend has been Rs. 10 for each month then for these four months the amount which he would have contributed would be Rs. 360. Therefore the defaulting subscriber would get Rs. 360. That is why the word contribution has been used in the clause, instead of the word 'subscription'. Therefore if we say that he will get back his contribution, there is no question of the subscriber getting the arrears as suggested by the hon. Member Sri Patanjali Sastri. Therefore the words 'together with the arrears of subscription realised from the substituted subscriber' will not fit into the clause, as we have framed it. The word 'contribution' will have the dictionary meaning, that is, the amount contributed. Therefore it is not necessary to define the word. Therefore it is, Sir, that I move that the clause be reopened and after that the clause may be discussed again and we may come to some conclusion.

[24th February 1961]

MR. CHAIRMAN : Motion moved—

“ That the decision on clause 22 be rescinded and the clause reopened ”.

* SRI M. PATANJALI SASTRI : Sir, now that the Hon. the Minister has sought to reopen this clause, may I take this opportunity to have the other clause also re-opened for further discussion? I am referring to the expenses clause.

THE HON. SRI R. VENKATARAMAN : We may take it up before we take up the third reading of the Bill, Sir.

MR. CHAIRMAN : What is that clause?

* SRI M. PATANJALI SASTRI : That is the clause relating to expenses in running the chit. The Hon. Minister gave an explanation which I characterised as somewhat involved and beyond my ready comprehension. Still I am not quite convinced with his explanation. Therefore may I take this opportunity to have that clause also reopened so that there can be further discussion on both sides and he may try to convince me and I may try to convince him.

MR. CHAIRMAN : Which clause is it?

* SRI M. PATANJALI SASTRI : I think it is sub-clause (4) of clause 14 which says : ‘ The foreman shall not appropriate for himself any amount in excess of what he is entitled to under clauses (a) and (b) of section 13 ’. I had suggested the addition of the words ‘ and what is allowed under the chit agreement to meet the expenses of running the chit ’ to that sub-clause. The Hon. Mover explained by saying that the idea was that the commission or remuneration provided for in clause 13 (b) was expected to cover this also. I said the explanation was somewhat involved and I could not understand it easily. But anyhow I did not press my point then. But now that the Hon. Mover has sought to reopen another clause and I am still not convinced that the Hon. Mover is right as to clause 14 (4), I would request you to reopen that clause also so that there can be some further discussion covering both the clauses.

THE HON. SRI R. VENKATARAMAN : Sir, we are now on clause 22. We will dispose of it now. After we have concluded consideration of all the remaining clauses, and before we go to the third reading stage, we may take up for reconsideration any clause which the hon. Member Sri M. Patanjali Sastri wants.

MR. CHAIRMAN : The question is—

‘ That the decision on clause 22 be rescinded and the clause reopened ’.

The motion was put and carried and clause 22 was re-opened.

24th February 1961]

Clause 22.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, yesterday in this clause, the following amendment was added :—

“ In line 4, *after* the word ‘ his contributions ’ and *before* the words ‘ subject to ’ *insert* the following :—

‘ together with the arrears of subscription realised from the substituted subscriber ’ ”.

I have explained what is meant by clause 22. These words included in the clause by the amendment will not therefore fit in. Actually, if we put in these words, the defaulting subscriber will not only get his contribution but also the arrears of subscription realised. This will really amount to a double payment. Therefore I move for the omission of the words inserted by the amendment.

I move—

“ That in clause 22, the words ‘ together with the arrears of subscription realised from the substituted subscriber ’ be deleted ”.

MR. CHAIRMAN : The words inserted by the acceptance of the amendment may be deleted or the original clause and the amendment proposed may be reopened and the amendment negatived.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, the correct legislative procedure would be the consideration of this clause as reopened. When it is reopened, the clause, as amended yesterday, will come up for consideration. Then I will have to move that this particular amendment, which was adopted yesterday, be deleted.

MR. CHAIRMAN : The clause, as amended, is now before the House for discussion.

* SRI M. PATANJALI SASTRI : Sir, even now I am somewhat puzzled by the language used. Let us first of all take up the concrete illustration given by the Hon. Minister. There is a chit consisting of ten members paying Rs. 100 each. One subscriber commits default at the end of four months. Then the substitution process takes about two months to be finished. Then the substituted subscriber comes on the scene. Then this situation arises for consideration. Now the contribution normally should be what was contributed by the defaulting subscriber, that is, the four months' subscription which he had paid. Then, the two months' subscription before the substituted subscriber came on the scene, the defaulting subscriber did not pay. That would be the arrears. Arrears cannot by any stretch of language cover what has been paid by the original subscriber. ‘ Arrears ’ properly understood according to its connotation would represent the two months' subscription, in respect of which the original subscriber committed default. So his contribution would be the first four months' contribution. Then the substituted subscriber comes on the scene, and he goes on regularly paying his instalments. There is no question of default. All arrears of subscriptions realised from the substituted subscriber, less any amount advanced by the foreman, shall

[Sri M. Patanjali Sastri] [24th February 1961]

before the date of the next succeeding instalment, be deposited by the foreman in an approved bank mentioned in the chit agreement. All arrears of subscription realised from the substituted subscriber can only relate to the two months' subscription which the foreman is empowered to realise from the substituted subscriber. I suppose I am correct so far. We are now dealing with the language used in the illustration given. Contributions would be the amounts paid by the defaulting subscriber for the preceding four months. The foreman might have advanced some amount or might not have advanced. Sub-clause (3) of clause 21 contemplates all arrears of subscriptions being realised from the substituted subscriber. The foreman has to realise the two months' arrears from the substituted subscriber. Deducting of course the amount that he might have paid, the amount should be paid into the bank for payment to the defaulting subscriber. So the arrears for two months, given in the illustration, which the foreman recovers from the defaulting subscriber should be paid into the bank and should not be drawn by him except for payment to the defaulting subscriber. So, the two months arrears, according to the natural interpretation of the language used, should go to the defaulting subscriber. Then the substituted subscriber comes on the scene, and he pays only for the subsequent period of the chit. So in respect of the prior period, the arrears, less any amount paid by the foreman should go to the defaulting subscriber. The defaulting subscriber should get not only his contributions, that is, contributions for the four months, but also the arrears for the next two months, according to the concrete case put forward by the Hon. Minister.

THE HON. SRI R. VENKATARAMAN : May I interrupt Sir, at this stage for a minute? The defaulting subscriber would have paid Rs. 400. The Hon. Member suggests that he must be paid Rs. 600. That will be the consequence. After two months some one gets substituted. The illustration given by the hon. Member will mean the defaulting subscriber getting Rs. 600.

* SRI M. PATANJALI SASTRI : I am only taking the concrete case given by the Hon. Minister and applying to it the language used in clause 22. I do not object to the change in the language. The Hon. Minister wants the expression 'arrears' to cover also the amounts actually paid by the defaulting subscriber. This will mean doing violence to the language. The subscriptions paid by him for four months will in no sense come within the meaning of the word arrears. What really amounts to arrears is that which the defaulting subscriber has not paid. That can be only before two subsequent months. If the Hon. Minister wants some other meaning to be made out of 'arrears', let him recast the whole thing and make it intelligible. But with reference to the language used, I respectfully submit that he cannot say that the expression 'arrears' is intended to cover contributions regularly made as and when they fell due by the subscriber up to

24th February 1961] [Sri M. Patanjali Sastri]

his default. Clause 21 (3) says that the amount should not be drawn by the foreman except for payment to the defaulting subscriber. I think he must be entitled to recover the amount. If the foreman is liable to pay, then the counterpart of it is that the defaulting subscriber must be entitled to recover. The right must correspond to liability. I am not now on the question of 'less any amount advanced by the foreman'. That may be subject to some adjustment. But the amount should not be drawn by the foreman except for payment to the defaulting subscriber. The amount should be deposited, less of course the adjustment to be made, in a bank. The adjustment to be made is by the defaulting subscriber and not the foreman. Otherwise this clause is meaningless. If the liability rests on the part of the foreman to pay what was realised as arrears from the substituted subscriber, the corresponding right must be conferred on the defaulting subscriber when we prescribe his right. The clause says, 'When a substituted subscriber draws the prize amount, the defaulting subscriber shall be entitled to recover from the foreman his contributions'. My amendment seeks to add the words 'together with the arrears of subscription realised from the substituted subscriber'. That is what is sought to be added. It is perfectly open to the Hon. Minister, if it does not convey the meaning, to recast the whole thing. I do not object to it. But language cannot be twisted to convey what is in the mind of the Hon. Minister.

3-4
P-1

SRI K. BALASUBRAMANYA AYYAR: If a subscriber defaults, the substituted subscriber is asked to pay Rs. 200. It is not realised from the foreman. All arrears of subscriptions are realised from the substituted subscriber. In the meantime, the amount due is deposited by the foreman in the bank. Therefore, contribution will only mean the contributions by the defaulting subscriber.

SRI T. P. SRINIVASAVARADAN: Sir, suppose there are ten subscribers. Each pays Rs. 100. The chit is for Rs. 1,000. After four months, the last one defaults. He has paid Rs. 400. In the next two months he does not pay. When the substituted subscriber comes in, does he pay for all the previous six months or for only two months? Unless he pays for all the six months, he cannot get Rs. 1,000. Therefore, he should pay not for two months alone but for all the six months.

THE HON. SRI R. VENKATARAMAN: Sir, the illustration given by the hon. Member Sri T. P. Srinivasavaradan is correct. That is the practice in every chit fund. After a person has paid for three months, he defaults. Then it takes one or two months to find a substitute. During those one or two months the foreman makes the contribution and when a new member is substituted, the arrears of subscription for all the previous five or six months are collected from him. Thereafter he will go on paying for every month and at the end of the ninth month, he draws the chit. At that time he will draw Rs. 1,000. At that time, Rs. 400 is paid to the defaulting subscriber and Rs. 200 is appropriated by the foreman. That is the position and that is the practice.

[Sri R. Venkataraman] [24th February 1961]

Let us take clause 22 first. So far as that clause is concerned, there is no difficulty. It says that when a substituted subscriber draws the prize amount, the defaulting subscriber shall be entitled to recover from the foreman his contributions subject to such deductions as may be provided for in the chit agreement. We say that notwithstanding the fact that the substituted subscriber has given to the foreman the contribution for all the previous six months, the only time at which the defaulting subscriber will become eligible for the amount is not the time when the member is substituted but the time at which the substituted subscriber draws his prize. If we use the word "subscription", then it would mean that he will get the whole amount. If we use the word "contribution" in the etymological sense, he might get whatever he has paid but he will not get the benefit of the deductions in the past. For the four months he would have contributed only Rs. 360 though, in theory, adding up the deductions, he would be deemed to have contributed Rs. 400. Therefore, so far as clause 22 is concerned, there is no difficulty. The language of the clause is very clear.

Then, clause 21 (3) is intended to protect the defaulting subscriber also so that the foreman may not spend away the whole amount himself. The expression used is "All arrears of subscription realised from the substituted subscriber". That means Rs. 600. In so far as the new man is concerned, he comes only in the sixth month.

SRI K. BALASUBRAMANYA AYYAR : Arrears of subscription (which have been paid) are also collected from him.

THE HON. SRI R. VENKATARAMAN : We use the term "arrears of subscription" only with regard to the substituted subscriber. The substituted subscriber becomes a member only in the sixth month. But he is deemed to be a subscriber from the beginning. Otherwise, there is no chit fund.

SRI K. BALASUBRAMANYA AYYAR : It is "notional".

THE HON. SRI R. VENKATARAMAN : That is why we use the word "arrears". Any other word will not cover the Rs. 400.

* **SRI M. PATANJALI SASTRI :** Clause 21 (3) will have to be recast if clause 22 is to convey the meaning which the Hon. Mover has in mind. In fact my amendment to clause 22 was prompted by the language of 21 (3).

MR. CHAIRMAN : If considered necessary, the clause may be put to the House afterwards.

SRI K. BALASUBRAMANYA AYYAR : All of us are not able to understand the clause clearly.

MR. CHAIRMAN : I am only making a suggestion to the House.

24th February 1961]

* SRI M. PATANJALI SASTRI : Sir, when the arrears are said to be payable to the defaulting subscriber, then there is a liability on the part of the foreman to pay them over to the defaulting subscriber. The defaulting subscriber will be given the right to recover the arrears from the foreman. It is in that way that the amendment was prompted. If clause 21(3) is recast so as to make the meaning as now propounded by the Hon. Mover, then there will be no difficulty and the amendment will drop. To keep the language of clause 21 (3) as it is, is to involve the whole thing in confusion. Not only the meaning of the word 'arrears' will have to be stretched: there is the question of justification for payment to the defaulting subscriber. What the Hon. Mover means is, arrears must refer not only to the arrears in respect of which the defaulting subscriber committed default but also payments which he regularly went on making. If the latter is also described as arrears, it is doing great violence to the language.

3-50
P.M.

THE HON. SRI R. VENKATARAMAN : I am sorry to have to intervene so many times. I want again to submit for the consideration of the House . . .

SRI M. PATANJALI SASTRI : I have no personal interest in having this amendment carried. I am not any more personally interested in getting my amendment passed than the Hon. Minister is in having the provision confirmed. We are interested in making things clear.

THE HON. SRI R. VENKATARAMAN : When a man gets substituted as a subscriber, we collect from him four instalments or two instalments as the case may be, and we deem him to be a member. Therefore, it is called arrears and that is provided usually in the chit agreement. When a new member is substituted at the sixth or the seventh instalment or the fourth instalment, he will pay all the previous instalments.

SRI M. SUBBIAH CHETTIAR : We can then have it as previous instalments.

THE HON. SRI R. VENKATARAMAN : It can be called 'previous instalments realised from the substituted subscriber'. But there is another difficulty in the language suggested. If we say 'all the previous subscriptions realised', there is this difficulty. Suppose out of six months' arrears of previous instalments, only four instalments are realised; then only that four months' collection could be deposited. That is why 'arrears' has been used in consonance with chit agreements which say that the previous instalments are treated as arrears so far as the substituted subscriber is concerned.

SRI M. PATANJALI SASTRI : Put it in an 'Explanation'.

THE HON. SRI R. VENKATARAMAN : Sir, I suggest clause 22 may be adopted and so far as clause 21 (3) is concerned, only this word "arrears" gives trouble. We will take up this clause when we come to the end. I would request Mr. Patanjali Sastriar, meanwhile, to draft an amendment to clause 21 (3).

[24th February 1961]

MR. CHAIRMAN : The question is—

“ That in clause 22, the words ‘ together with the arrears of subscription realised from the substituted subscriber ’ be deleted.”

The amendment was put and carried.

Clause 23.

SRI K. BALASUBRAMANYA AYYAR : I am not moving the amendment I have given notice of.

Clause 23 was put and carried.

Clause 24 was put and carried.

Clause 25.

MR. CHAIRMAN : The motion is—

‘ That clause 25 do stand part of the Bill.’

SRI K. BALASUBRAMANYA AYYAR : Sir, I move—

‘ In sub-clause (2), *omit* the proviso.’

The amendment was duly seconded.

SRI K. BALASUBRAMANYA AYYAR : Sir, such a proviso is not found in the Travancore Act. On that account, I do not say we should not have it here. This Bill is largely modelled on the Travancore Act. Sub-clause (2) of clause 25 says :

“ If in a suit by a foreman for consolidated payment of future subscriptions from a defaulting prized subscriber, the defendant pays into court on or before the date to which the suit is posted for hearing the arrears of subscriptions till that date together with interest thereon at the rate provided for in the chit agreement or at twelve per cent per annum simple interest whichever is lower, and the costs of the suit for payment to the plaintiff, then, notwithstanding any contract to the contrary, the court shall pass a decree directing that the defendant shall deposit in court for payment to the plaintiff, the future subscriptions on or before the dates on which they fall due. . .”

But such a procedure will not be available to a person who files a suit on a promissory note unless the promissory note expressly states that the amount due is towards payment of subscriptions. That according to me is a denial of a right to the defendant. Even if the promissory note does not expressly state that, he can plead and also give evidence before the court of law that the promissory note was taken for future subscriptions. Even according to the ordinary evidence law he can do that. The circumstances under which the promissory note was given must always be proved in a court of law. Therefore I said that this provision insisting that such a statement should be made in the promissory note itself deprived him of a right which he has already got and that is not necessary. That is my submission so far as that is concerned. If

24th February 1961]

[Sri K. Balasubramanya Ayyar]

you make an exception in the other cases, I can understand this provision. This is only a general clause. Then why should we deny the privilege which the defendant has even in an ordinary suit? He can very well plead the circumstances under which the promissory note was executed by him. He may prove that it was for future subscription. That is why I have proposed that this proviso could be deleted.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir, there are two cases; one in which the foreman himself files a suit and another where the holder, in due course, the transferee, files a suit. In the case of the foreman himself filing the suit, it may be possible for the defendant to plead that it was executed for future subscriptions. In the case of the transferee, if this fact is contained in the promissory note itself, it will be noticed by the courts that it is in respect of a chit fund transaction. Therefore this provision has also been included in the Bill. Again in the case of a chit fund promissory note the burden of proof would be on the defendant without this provision. On the other hand with this special provision, the promissory note itself will contain the fact that it is in respect of future subscriptions of the chit fund. Therefore the defendant need not have to prove by other evidence that it is in respect of the chit fund transaction. This is to protect the subscriber to the chit fund.

Sir, in my own experience in the Court of Small Causes here we have had any number of suits in which the foremen had filed suits on promissory notes containing the usual phraseology 'for value received in cash'. In these cases it had to be proved that these transactions were in respect of a chit fund in order to get the concessions from the courts that the defendants could pay the amount in instalments. Therefore it is we have provided that where a foreman takes a promissory note for future subscriptions it should be so stated in the note itself, so that the question of burden of proof could be eliminated. This will facilitate the proceedings in the court. That is why the Government are unable to accept the amendment of the hon. Member.

The amendment was, by leave, withdrawn.

Clause 25 was put and carried.

Clauses 26 to 37 were put and carried.

Clause 38.

MR. CHAIRMAN : The motion is—

'That clause 38 do stand part of the Bill.'

The hon. Member Sri Balasubramanya Ayyar may move his amendment and get it seconded.

DR. A. CHIDAMBARANATHAN : Mr. Chairman, as hon. Members have several things to say in connection with the amendments and since they have got to speak more than once on the same

[Dr. A. Chidambaranathan] [24th February 1961]

issue, may I suggest that the House do go into committee in order that those hon. Members may be enabled to speak more than once, because under Rule 71 of the Council rules a member cannot speak more than once on the same motion.

THE HON. SRI R. VENKATARAMAN : With the permission of the Hon. Chairman, they can speak.

MR. CHAIRMAN : Rule 71 refers to the method of taking votes.

DR. A. CHIDAMBARANATHAN : I am sorry, it is Rule 74 It says—

‘Except in the exercise of a right of reply or as otherwise provided, no member shall speak more than once on any motion, provided that any member to whom a referneec has been made or against whom a reflection has been cast in the debate may, with the permission of the Chairman, make a personal explanation . . . The Chairman’s permission is applicable only where a personal explanation is sought to be offered and not otherwise. I know of no parliamentary practice where a member is allowed to speak more than once thus. According to parliamentary practice, if it is not possible to dispose of things in one speech, the whole House goes into Committee. Therefore we would rather go into Committee and discuss these things. Otherwise it is not possible . . .

MR. CHAIRMAN : Where is the provision in the rules for the House to go into Committee?

DR. A. CHIDAMBARANATHAN : Because it is a well-known parliamentary practice I suggest that the House may go into Committee. . .)

MR. CHAIRMAN : The hon. Member will please resume his seat. I am not going to follow a procedure which is not laid down under the rules. The discussion will now go on.

SRI K. BALASUBRAMANYA AYYAR : I am not moving my amendment, Sir.

Clause 38 was put and carried.

Clauses 39 to 52 were put and carried.

Clause 53.

MR. CHAIRMAN : The motion is—

‘That clause 53 do stand part of the Bill.’

SRI MOHAMED RAZA KHAN : Mr. Chairman, Sir, I move—

‘In sub-clause (1) add the following proviso at the end after item (g) :

“Provided that the aggregate of the fee shall not exceed one per cent of the chit amount.”

The amendment was duly seconded.

24th February 1961]

SRI MOHAMED RAZA KHAN : Sir, clause 53 says—

‘ There shall be paid to the Registrar such fees as the Government may, from time to time, prescribe for—’

If I read the mind of the Hon. the Leader of the House aright he has got two aspects in mind in framing the clauses as it is. It will take some time for the Government to determine the actual fees to be paid and therefore this will naturally be provided in the Rules to be framed under the Act. Again this clause implies that the rate of fees is likely to vary from time to time according to the decisions taken by the Government. However we take it that the charge will only be a fee and it will not become a tax and that this clause will not be used to augment the resources of the Government. This is mainly intended to cover the expenses on the establishment set up to administer the law. In reply to a reference made by the hon. Member Sri Balasubramanya Ayyar about the huge staff that would be required to administer this law, the Hon. the Leader of the House was pleased to say that the existing staff would be utilised for the purpose. He said that the Registrar would be the Chief man with possibly some officers appointed to assist him in the work. He said that except for some additional staff, the work would be taken up by the Registrar who has a hierarchy of officials under him. Having said that, it stands to reason that the Government should prescribe it here itself. Instead of that, power is being taken by the Government to fix the rate. Sir, let me draw your kind attention to another aspect also. As I said at the first reading stage of the Bill, chit funds are formed and conducted for one purpose, namely, either for getting a sum for the person who is in dire need or, as the tendency has now developed, just to make some small profit, as was stated by the Hon. Mover of the Bill. Therefore, there is also a profit motive. There is also the purpose of a person who is in need getting the amount in advance instead of having to wait for a long time. The Government have prescribed a limit as far as the fee that can be charged. It is five per cent. No foreman of any chit whatever be the denomination or whatever be the amount can charge more than five per cent. When once the legislation comes into operation, within this 5 per cent he has to maintain a staff to keep the accounts and to make as many periodical visits to the various officers as possible for getting things done. He has to incur heavy expenses on staff, etc. But his income is stopped at the level of five per cent. Therefore, I feel reasonable for more than one reason, having regard to the whole aspect, that it is much better to restrict it to one per cent and also not to give the power to Government. It is not that the power will be misused by the Government. But the legislature must know as to how much fee should be charged, and that limit should not exceed one per cent, Sir.

THE HON. SRI R. VENKATARAMAN : The Government are unable to accept the amendment.

[24th February 1961]

SRI MOHAMED RAZA KHAN : May I interrupt just for a second, Sir? The Hon. Minister may give the reasons first and then go to the operative part.

THE HON. SRI R. VENKATARAMAN : Sir, it is left to the Minister to choose his own method of address. The word 'fee' has a definite legal connotation, and it cannot be more than what it costs Government. If it costs Government 1.5 per cent, why should the Government be deprived of the right to charge 1.5 per cent for the service? Therefore, it is not correct to say that it should not exceed 1.5 per cent. The fee will be levied to cover the cost of administration. Accordingly the percentage will be fixed. It is not possible for Government to say whether the cost of administration will exceed or will not exceed at this stage. But the actual cost of it will be covered.

SRI MOHAMED RAZA KHAN : I am pressing my amendment, Sir.

MR. CHAIRMAN : The question is—

"In sub-clause (1), *add* the following proviso at the end after item (g) :—

'Provided that the aggregate of the fee shall not exceed one per cent of the chit amount.'"

The amendment was put and lost.

Clause 53 was put and carried.

Clauses 54 and 55 were put and carried.

Clause 56.

MR. CHAIRMAN : The motion is—

'That clause 56 do stand part of the Bill.'

SRI K. BALASUBRAMANYA AYYAR : Sir, I move—

"In sub-clause (1), *omit* the words 'with imprisonment for a term which may extend to one year or' and the words 'or with both'."

Sir, I am not moving the second part of the amendment I have given notice of.

SRI S. K. SAMBANDHAN : I second the amendment, Sir.

SRI MOHAMED RAZA KHAN : Sir, I move—

"In sub-clauses (1) and (3), *omit* the words 'with imprisonment for a term which may extend to one year or' and 'or with both'."

SRI A. K. THANGAVEL MUDALIAR : I second the amendment, Sir.

24th February 1961]

SRI K. BALASUBRAMANYA AYYAR : Sir, this clause raises fairly an important question. In many of our legislations we have always said that a breach of any of the provisions of the Act becomes an offence, and then it is punishable with imprisonment or with fine or with both. Sometimes the fine goes up to Rs. 1,000. In some cases it is up to Rs. 2,000. And there is the imprisonment for one year or two or three years. In these chit fund transactions, there is the anxiety of people to get money. The subscriber wants that there must be a generous amount given to him for his purposes. The foreman also conducts the chit, because he will also get the prize amount, and he will also have remuneration, commission, etc. Any breach of the provisions is only for the sake of getting money. The best punishment in the circumstances is only fine according to me. If imprisonment is a greater punishment, I can understand. But I do not think that in these cases imprisonment is called for. The need for money is more for the person. One may say that one is prepared to go to jail, provided there is no money payment. Therefore, this is a psychological factor. This is general psychology, which I want to mention. In chit fund transactions, where the more important thing is getting money, fine is the more deterrent punishment. According to me, the highest punishment will be fine. Therefore let us have fine only and no imprisonment. In cases where conscience is involved, it becomes a matter of pride to go to jail. We are not now on that matter. Now I am generally talking about going to jail. It is a qualification where conscience is involved or patriotic acts are involved. I am not underestimating it here. What I am saying is that imprisonment in this case is less deterrent than fine. If we fine the foreman, then he will not commit any breach of the provisions of the Act. He knows that he has to pay more money by way of fine. That will have to be taken from the amounts that he wants to collect out of the chit. Therefore it is that I say that imprisonment is not necessary and that it may be deleted. Fine alone may remain. That is the substance of my amendment.

SRI MOHAMED RAZA KHAN : Sir, my task has been simplified by the previous speaker Sri Balasubramanya Ayyar. It has become a fashion with the Government always to insert a clause like this saying that a heavy fine or a heavy term of imprisonment can be imposed for breaches of the provisions of the Act. The Mover of the Bill will take shelter in the plea that after all imprisonment is only an alternative punishment. Sir, this is purely a social measure, and we are going to experiment it for the first time as far as our State is concerned. If it is a case of fraud, people will say, 'This man has done it intentionally, and so he deserves to be punished'. There is the procedure to haul him up. Let me draw the attention of the Leader of the House to another aspect. Whether he accepts it or not, let him be convinced that there is another point of view. This is purely a social measure. According to this Bill, a limit of Rs. 100 is fixed. Now one would agree that many illiterate people either because they do not know the law that has been passed or because they are

[Sri Mohamed Raza Khan] [24th February 1961]

ignorant, may start a chit of Rs. 125. Then he or she comes under the penal provisions of this Bill. This is a technical offence, and he will be hauled up and taken to the court. For the more technical offence of having started a chit of Rs. 125, he or she will be hauled up before a Magistrate. The law provides for fine or imprisonment. In an ordinary social measure like this, we need not provide for imprisonment, unless by experience we find that people are trying to violate the provisions of the Act. After all, the Government are powerful with a good and comfortable majority. They can come before the House at any time and say that in the light of experience, the provision of imprisonment has become necessary. They can say, 'Here is the record. We have seen so much contravention of the law. Fine is not enough. There should be a heavier punishment'. Then they will be on firmer ground. I strongly feel that imprisonment is really out of place, and that it is unnecessary. But I leave the matter at that.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, the clause provides for alternative punishment. It says 'either imprisonment or fine or both'. Discretion is given to the Magistrate. Therefore, in appropriate cases, the appropriate sentence would be awarded. If the case is of a serious nature, then the court will give a sentence of imprisonment. If the case is for a minor offence, the court may let the party off with a warning. The Government are not punishing anybody. The Government are not passing the sentence. Therefore, there is no harm in providing for imprisonment in cases of grave offence. I may also mention that from the report of the Select Committee itself we will find that some of the Members of the Select Committee wanted that imprisonment should be made obligatory. (Sri K. Balasubramanya Ayyar : No.) The general impression was that offences were committed by a number of foremen and that therefore there should be a deterrent punishment, and also imprisonment should be made obligatory. It is only because the Government did not want to impose any particular type of punishment we left it to the court to decide what punishment should be given in respect of what offence. This is a perfectly proper clause, and it may be accepted.

SRI MOHAMED RAZA KHAN : I am pressing my amendment, Sir.

MR. CHAIRMAN : The question is—

"In sub-clauses (1) and (3), omit the words 'with imprisonment for a term which may extend to one year or' and 'or with both'".

The amendment was put and lost.

SRI K. BALASUBRAMANYA AYYAR : I am pressing my amendment, Sir.

MR. CHAIRMAN : The question is—

"In sub-clause (1), omit the words 'with imprisonment for a term which may extend to one year or' and the words 'or with both'".

24th February 1961]

The amendment was put and lost.

Clause 56 was put and carried.

Clauses 57 and 58 were put and carried.

Clause 59.

4-20
p.m.

MR. CHAIRMAN : The motion is—

“ That clause 59 do stand part of the Bill.”

SRI K. BALASUBRAMANYA AYYAR : Sir, I move :

“ In sub-clause (1), add the following at the end :—

‘ except for the offence punishable under sub-section (3) of section 56 ’.”

Clause 56 (3) says—

“ Whoever in any document required by, or for purposes of, any of the provisions of this Act wilfully makes a statement false in any material particular knowing it to be false, shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to five hundred rupees or with both.”

If a man wilfully makes a statement false in any material particular, then he is liable for imprisonment. But if he compounds the offence, imprisonment as a deterrent ceases to exist. Therefore, according to me, an exception should be made in cases where a man deliberately makes a false statement. Hence, according to me too, there is necessity for imprisonment. If a person is punished under clause 56 (3), then that offence should not be allowed to be compounded. It is a serious moral default. A man deliberately making a false statement in a document should not be allowed to compound the offence notwithstanding anything contained in the Code of Criminal Procedure. Therefore, I am moving this amendment.

The amendment was duly seconded.

THE HON. SRI R. VENKATARAMAN : My inclinations are the same as those of the hon. Member Sri Balasubramanya Ayyar. In fact, when we insisted on imprisonment being provided as one of the alternative modes of punishment, we intended that imprisonment should be awarded in cases involving moral turpitude. Then, as I said, these changes have got to be made to suit the general will of the Joint Select Committee. They felt that even in those cases, if the offence could be compounded, it should be allowed to be compounded and that in all cases he need not be prosecuted. Therefore, I am not very enthusiastic about this clause. But it was included largely at the instance of the Members of the Joint Select Committee who thought that the opportunity to compound these offences should be given because people might sometimes without sufficient knowledge and education make a mistake. Therefore, I am willing to have the whole clause deleted. Let the man

[Sri R. Venkataraman] [24th February 1961]

who commits an offence be punished. I am perfectly willing to have the clause deleted. If the hon. Member would vote against clause 59, Government would accept that position.

SRI K. BALASUBRAMANYA AYYAR : I would oppose the whole clause.

SRI T. P. SRINIVASAVARADAN : Sir, certain offences are major and certain other offences are minor. It is stated in the clause, "any officer, may at any time compound any offence". It is not obligatory on the part of the officer empowered to compound the offence. If the offence is very serious, he may refuse to compound. It may be specifically stated that major offences should not be compounded. In the absence of such a provision, as the hon. Member Sri Balasubramanya Ayyar states, the clause may cover any offence.

MR. CHAIRMAN : What is the hon. Member speaking on? The Minister's reply is over.

THE HON. SRI R. VENKATARAMAN : Sir, before the amendment is put to vote, we may have a general discussion on the clause itself. The hon. Member Sri K. Balasubramanya Ayyar said that he would oppose the whole clause. In that case, we may take the general opinion of the House.

SRI T. P. SRINIVASAVARADAN : There may be minor offences. No doubt, in the case of major offences, the offender should not be let off. But in the case of minor offences, is there going to be a provision for compounding? If everything has to go to the court, then it will be an irksome affair.

SRI K. BALASUBRAMANYA AYYAR : The clause is about compounding of offences.

THE HON. SRI R. VENKATARAMAN : Offences under clause 56.

SRI T. P. SRINIVASAVARADAN : Not filling a chit agreement is a serious offence. For such serious offences a deterrent punishment should be given. But I want to make a distinction between major and minor offences. Is there any provision for compounding of minor offences?

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, I want to make the position of Government clear. In the first instance, Government really did not want any provision for compounding. But when a number of Members suggested to the Government that these small offences might be disposed of without being taken to court by making a provision for compounding, Government accepted that view. But, on principle, I quite see that an offence is an offence and may be punished as such. Therefore, if the hon.

24th February 1961] [Sri R. Venkataraman]

Member Sri Balasubramanya Ayyar opposes this clause, Government will not be against it. Government are not against dropping this clause so that all offences may be dealt with in a court of law.

MR. CHAIRMAN : I shall put the amendment to vote. The question is—

“ In sub-clause (1), add the following at the end :—

‘ except for the offence punishable under sub-section (3) of section 56’.”

The amendment was put and lost.

MR. CHAIRMAN : The question is—

“ That clause 59 do stand part of the Bill.”

The motion was put and lost, and the clause was negatived.

Clauses 60 to 63 were put and carried.

Clause 64 :

MR. CHAIRMAN : The motion is—

“ That clause 64 do stand part of the Bill.”

SRI K. BALASUBRAMANYA AYYAR : Sir, I move :

“ (1) In sub-clause (3) (a), after the word ‘ shall ’ and before the words ‘ be published ’, insert the word ‘ first ’.”

4-30
p.m.

“ (2) In sub-clause (3) (a), in line 2, after the word ‘ and ’ and before the word ‘ unless ’ insert the words ‘ after hearing any representation that may be made in respect thereof shall be published again in the *Fort St. George Gazette* with modifications, if any’.”

The amendment was duly seconded.

SRI K. BALASUBRAMANYA AYYAR : My experience is, after we have discussed all the clauses and passed a Bill, nobody ever cares to know when the rules are placed on the table of the House. Hitherto nobody ever cared about the rules placed on the table of the House and nobody ever looked into them or proposed amendments thereto. Even the Sales Tax Rules and several such rules which were canvassed by courts of law were generally taken for granted and approved. I must point out one thing. So far as the rules under this enactment are concerned, we have for the first time a Chit Fund Bill with a provision that different provisions of the Bill would apply to different places on notification. So much of caution the Government have taken for the purpose of enforcement of the provisions. The Government are prepared to proceed cautiously. It is in that background that I say that the rules shall be published and then, after hearing representations made by people interested in them, finally decided upon. After final approval, they may be published again and upon such publication placed before the two Houses of the Legislature for adoption. For the purpose of this Bill, let us, therefore, take one further step, viz., let the rules be published in the *Fort St. George Gazette* for eliciting public opinion and then finally settled. Of course, the Government are not bound to accept the views expressed by the public.

[Sri K. Balasubramanya Ayyar] [24th February 1961]

But let them at least consider them. The Government have heard representations in regard to the provisions of the Bill. A number of people are anxious that the rules also should be published and their reaction called for. Therefore, I move my amendment.

SRI MOHAMED RAZA KHAN : In further support of the amendment moved by my esteemed Friend, I wish to say that it would be a very good thing to accept the amendment, because I understand, even at the time when evidence was taken by the Joint Select Committee some representation was made to the Hon. Minister in particular that when the rules were framed under the Act, those interested in the legislation should be given an opportunity to express their views thereon. Therefore, the Government can accept the amendment.

THE HON. SRI R. VENKATARAMAN : Sir, sub-clause (3) of this clause is based on the model sub-clause suggested by the Committee on Subordinate Legislation and we have adopted it as a uniform rule in all pieces of legislation. In the past, we used to have only one provision, viz., that there should be prior publication of rules and that on such publication, the rules would become effective. There was no provision for the Legislature to make any modifications in the rules. We have changed that procedure and said that the rules will be framed and placed on the tables of both Houses of the Legislature for approval with modification or without. So, we cannot have both. Either we have previous publication and finalisation or we have the rules placed on the table of the House. Otherwise, it will lead to cumbersome and additional work. Therefore the model clause which has been suggested by the Committee on Subordinate Legislation and embodied in this Bill may be accepted.

SRI K. BALASUBRAMANYA AYYAR : Sir, I am not pressing my amendment.

The amendment was, by leave, withdrawn.

Clause 64 was put and carried.

Clause 65 was put and carried.

Clause 66 :

MR. CHAIRMAN : The motion is—

“ That clause 66 do stand part of the Bill ”.

SRI MOHAMED RAZA KHAN : Sir, I move :

“ For the existing item (2), substitute the following :

‘ (2) any chit the chit amount of which does not exceed five hundred rupees and where more than one chit is started or conducted simultaneously by the same foreman, every chit the chit amount of which does not exceed five hundred rupees ’.”

The amendment was duly seconded.

24th February 1961]

SRI MOHAMED RAZA KHAN : Sir, it was said at the time when the report of the Joint Select Committee was presented to us that the Government were fixing a limit of Rs. 100. It means that chits which are for Rs. 100 or less will not come within the purview of the Act. If the chit amount is above Rs. 100, then it will come within its purview. I have drawn the attention of the House to two factors the other day. One is this. Chits are conducted by well-organised companies and firms which have taken them up as a means of business and the people have sufficient confidence in them. The other factor is, what happens in actual practice. Chits are conducted by private individuals also. In fact, we have seen a lot of trouble arising from such chits conducted even in our homes. Such chits run to even 1,000 rupees. Therefore, if we keep this limit of 100 rupees, it is not fair. In terms of money value, 100 rupees have not got much value in the present day. This limit is too low and it must be raised to 500 rupees at least. This figure is very reasonable. I am not levelling any charge against the Mover of the Bill in this connection. Being a very capable man, he has always two sets of arguments; one set he uses on one occasion and the other set on another occasion. I felt discretion was the better part of valour and therefore kept quiet when he said that though he was personally opposed to compounding he allowed the provision to remain in the Bill since the Joint Select Committee wanted it. I am glad that the Hon. Minister agreed to the decision of this House to drop the clause relating to compounding. But my point is this. While in this case he said he allowed the provision to remain because the joint Select Committee insisted on it, on a former occasion, when the Accommodation and Rent Control Bill was brought in, even though the Joint Select Committee wanted that control over business houses should go, he threw aside that recommendation and moved an amendment to that effect in the other House. You cannot have different arguments on different occasions. However, the Hon. Minister is very considerate now and I leave the matter at that. My good Friend, Mr. Seshachariar is not here now. He has taken the place of our old Friend, Mr. T. Purushotham, who was the official spokesman of the Government, and he is trying to minimise the work of the Government. Yesterday, he said, 'why not have it as 25 per cent?'. His opinion is that if a man is needy, why should he be prevented from bidding as much as he wants. Sir, my point is, there is no use of having an Act which can be violated every day. That creates a very bad impression among the public. During the first reading of the Bill, I drew the attention of the Hon. Minister to two very important Bills—the Beedi Industry Bill and Money-lenders Bill which were passed long ago. They have not been given effect to. Of course, about the Beedi Industry Act, the Hon. Minister is on very firm ground. We know the Bill was passed into law with the best of intentions and it is slowly given effect to. But what is the fate of the Money Lenders' Act which the Government brought?

[24th February 1961]

MR. CHAIRMAN : What is it that the hon. Member is talking on? Is it on the amendment or on something else?

SRI MOHAMED RAZA KHAN : Sir, I am comparing, and I am on my arguments (Laughter). My argument is that they brought in the Money Lenders' Act and said that only a reasonable interest of 12 per cent should be charged. But what is it that is actually happening today? Thousands and thousands of transactions are taking place throughout the State and people are forced to pay more. My point is, I do not want that there should be a farce of an Act. When the Government bring in an Act they should take into consideration the reality of the situation also. If the Government impose a limit of Rs. 100 on these chit transactions for exemption, irrespective of legislation and irrespective of the penalty that may be imposed, people will surely evade the law. Practically now every family is conducting a chit of more than Rs. 100. Does it mean that after the legislation is passed your officers would enter each house and get information and prosecute all these hundreds and hundreds of people? Also it would be a very difficult thing to do. Again some 12 people may join together and conduct a chit. They may keep no records of the transactions. The thing is done on confidence. What is to happen in such cases? The main point of my argument is this. I am in entire agreement with the principles of the legislation, I agree that the measure is a social measure and I know the Hon. the Leader of the House wants to prevent fraud, wants to safeguard the rights and interests of the subscribers. But still it will mean if this Act is passed, though it may not affect the existing chit funds, in future all the chits above Rs. 100 will come under the provisions of the Act. Therefore I feel the limit should not be one hundred rupees but should be Rs. 500 as suggested in my amendment.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir, my hon. Friend Sri Raza Khan has gone over the whole ground again. Either we want regulation or we do not want it. If we want regulation, then we must regulate all those chit funds which are really over small dimensions. The dimension of Rs. 100 chit funds was considered to be small and all the others were not considered to be small. Sir, this is a matter in which any number of opinions can be held. Sixty different members can have sixty different opinions whether Rs. 100 should be the limit or Rs. 1,000 should be the limit. We took the consensus of opinion in the Joint Select Committee and finally said that chit funds over Rs. 100 should not be exempted from the operation of this legislation. There were some members in the Committee who insisted that it should be a higher amount. But then the Government thought and many other members also felt that in that case the control or regulation will not be effective. If it is to be effective then we must control all the chit funds which are over Rs. 100 in value. Therefore I am unable to accept the amendment moved by the hon. Member.

24th February 1961] [Sri R. Venkataraman]

Sir, I may add one word by way of personal explanation. The hon. Member seems to be under the impression that the Beedi Act is not enforced. I have told him a number of times that it is enforced in parts and that was also the intention of the Government. The first part which is now enforced is registration. After everybody has registered the other part will be enforced. If the hon. Member wants that the provisions should be enforced all at once, then it would throw the whole industry which is disorganised into confusion. Merely because some members taunt the Government, they are not going to be persuaded to create confusion in an industry or in a particular field. Therefore I think this criticism is totally unfounded. My submission is, it is not possible to exempt chit funds of more than Rs. 100 in value from the operation of the Act.

SRI MOHAMED RAZA KHAN: On a point of personal explanation. Sir, I am sorry the Hon. the Leader of the House has misunderstood me. In regard to the phased enforcement of the Beedi Act I am in entire agreement with him. We know there are difficulties and the Government are right in going slowly and gradually. The other point I raised was that while there is an Act known as the Money Lenders' Act, there is a good deal of evasion. The Act is all right but the actual working of it has resulted in very many difficulties. High rates of interests are still being charged. Similarly even though we may pass this Act with a limit of Rs. 100 there will be a good deal of evasion. That is not good for us; that is not good even for the State Government and the Legislature. It is no good passing a legislation which will in actual working be violated by many. The Government will find it ultimately difficult to enforce the provisions. I am sorry to say I have not misunderstood the Hon. the Leader of the House but he has misunderstood me.

MR. CHAIRMAN: The question is—

‘For the existing item (2), substitute the following:

“(2) any chit the chit amount of which does not exceed five hundred rupees and where more than one chit is started or conducted simultaneously by the same foreman, every chit the chit amount of which does not exceed five hundred rupees”.’

The amendment was put and lost.

Clause 66 was put and carried.

Clauses 67 to 70 were put and carried.

Clause 1 and the Preamble were put and carried.

MR. CHAIRMAN: Are we now going back to clause 21 (3).

THE HON. SRI R. VENKATARAMAN: Yes, Sir. The only expression which has created a certain amount of difficulty of interpretation is the expression ‘arrears of subscription realised from the substituted subscriber.’ There was a doubt as to what

[Sri R. Venkataraman] [24th February 1961]

that expression meant. Government therefore proposed to add an explanation to sub-clause (3) of clause 21 and the explanation will read thus :

“ Explanation :—For the purpose of sub-section (3), arrears of subscription shall mean all the previous instalments realised from the substituted subscriber ”.

This will mean according to the illustration which I gave that if the substituted subscriber comes in at the sixth month, he would be obliged to pay the Rs. 600 and out of that according to sub-clause (3) Rs. 400 would be paid into the bank and the Rs. 200 advanced by the foreman would be appropriated by him. At the time the substituted subscriber draws the prize in the ninth month, then at that stage the amount will be paid over to the other person. This will be moved as a Government amendment and therefore I move :

“ That clause 21 be reopened ”.

MR. CHAIRMAN : The question is :

“ That clause 21 be reopened ”.

The motion was put and carried and clause 21 was reopened.

Clause 21.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir, I move :

“ After sub-clause (3) of clause 21 add the following Explanation.

“ EXPLANATION : For the purpose of sub-section (3), arrears of subscription shall mean all the previous instalments realised from the substituted subscriber.”

MR. CHAIRMAN : The question is :

“ After sub-clause (3) of clause 21 add the following Explanation :

“ Explanation : For the purpose of sub-section (3), arrears of subscription shall mean all the previous instalments realised from the substituted subscriber.”

The amendment was put and carried.

Clause 21 as amended, was put and carried.

MR. CHAIRMAN : The Hon. the Leader of the House may move the motion.

THE HON. SRI R. VENKATARAMAN : I thought the Hon. Member Sri Patanjali Sastri would like to reopen clause 14.

SRI M. PATANJALI SASTRI : Mr. Chairman, Sir, referring to the other clause relating to the recoveries by the foreman my difficulty was with reference to the phrase “ the expenses of the

[24th February 1961] [Sri M. Patanjali Sastri]

foreman". That phrase is separately mentioned in more than one place, in two places really, but the prohibition clause prohibits him from receiving it. Therefore I thought there was a contradiction here. The Hon. the Mover of the Bill explained that the Commission that is referred to in clause 13 (b) was intended to cover the expenses also. But I feel that commission cannot cover it. It seems to be plain from the other provisions because there the expenses are separately mentioned. 'Discount' is defined as including the sum set apart to meet the expenses of running the chit. The expression 'expenses of running the chit' is separately mentioned (The Hon. Sri R. Venkataraman : Or for both). The discount will cover all, but the definition of discount contemplates the agreement setting apart something to cover the expenses of running the chit. In sub-clause (7) of clause 5 also it is stated :—

4-50
p.m.

"the mode and proportion in which the discount is distributable by way of dividend, foreman's commission and other expenses, if any".

Here again it is separately mentioned. If commission were intended to cover the other expenses of running the chit also, then this would be redundant. Both in the definition of discount and in clause 5 (7), the expenses of running the chit have been separately mentioned as something to which the foreman would be entitled. It is also easily conceivable. Clause 12 says that the foreman shall execute an indenture of mortgage and trust in favour of the Registrar. Suppose he wants to give security to the extent of Rs. 1,000. The discount is five per cent of the chit, which comes to Rs. 50. How is he expected to execute an indenture of mortgage? Suppose he gives property security. Then there is the stamp duty on mortgage. For a thousand rupees, it will nearly come to Rs. 15. There is the whole scale of fees mentioned in clause 53, to which the Hon. Member Mr. Raza Khan referred. It is stated in clause 53 that there shall be paid to the Registrar such fees as the Government may, from time to time, prescribe for (a) the registration of the bye-laws of a chit under section 3, (b) the grant of a certificate of commencement under section 7 (c) filing with the Registrar of the Chit agreement and copies of documents under sections 11, 20, 21, 29 and 32 and then the audit of the accounts of the foreman and the issue of an audit certificate, etc. Then there is the inspection charge of Rs. 5. All these amounts aggregate to a large figure. Five per cent of the chit amount, which in our illustration of a Rs. 1,000 chit, comes to Rs. 50. It is conceivable that all this would amount to Rs. 50 if not more, and there is very little left by way of remuneration or commission. That is the language used in the other clause of the Bill. Therefore, according to the language again, if commission is intended to cover all this, it must be made explicit. On the other hand, it seems to me by a reading of the language of the provisions of the Bill that it is explicitly the other way about, that is to say, the expenses have to be paid to him in addition to the commission or remuneration. That was the point of my amendment, moved

[Sri M. Patanjali Sastri] [24th February 1961]

yesterday. But the Hon. Mover explained by some process that this word commission or remuneration was intended to cover the expenses also. The language is inappropriate. Remuneration must be something which he should have in addition to the expenses he is called upon to incur. If commission is intended to cover all the expenses to be incurred by him, then it will practically swallow up, if not exceed, the five per cent. (Interruption.) He may be running one chit or half a dozen chits. The language of the Bill must be applicable to the case of a person who runs only one chit. It is irrelevant to say that if a foreman runs half a dozen chits, and if all of them are taken together, his expenses will be covered. We must make the language applicable to a foreman who runs only one chit. We are not concerned with others. We speak on only one chit run by one foreman, and the language must fit in in his case.

THE HON. SRI R. VENKATARAMAN : Sir, if I explain the position, then the Hon. Member may not ask for reopening that clause.

SRI M. PATANJALI SASTRI : That is the difficulty I felt yesterday, and still I feel so.

THE HON. SRI R. VENKATARAMAN : Sir, this matter was considered at great length by the Joint Select Committee. We also heard the evidence of a number of foremen. Actually the Hon. Member Sri Srinivasavaradan reminded me that they were all satisfied with this five per cent commission to meet their expenses. Some said that even three per cent would be enough. Some others said that the expenses of people running smaller chits would be greater, and therefore it should be five per cent. That is why we thought that five per cent commission would be enough. But the language to which reference was made by Sri Patanjali Sastri is necessitated by having to cover two types of chits, that is, chits in which a person does not take commission, and others in which he takes commission. Where he does not take commission, only his expenses have to be provided for. That we have to provide for under the term "discount". "Discount" would mean either the expenses or the commission or both. That is why, we have defined discount to cover two types of chits, that is, chits in which only expenses will be taken by some persons and chits in which commission would be taken and they themselves will meet the expenses, or they may have even both. My submission is that it is unnecessary to increase the five per cent commission, and therefore it is not necessary to reopen that clause.

Mr. Chairman, before I go to the third reading stage of the Bill, as a result of the deletion of clause 59, I move—

“ That clause 60 to 70 be renumbered as clauses 59 to 69 ”.

24th February 1961]

MR. CHAIRMAN : The question is :

“ That clauses 60 to 70 be renumbered as clauses 59 to 69 ”.

The motion was put and carried.

THE HON. SRI R. VENKATARAMAN. Mr. Chairman, I move—

“ That the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 of 1960), as amended be passed ”.

Sir, in making this motion, I am not unaware of the good deal of difficulty which the Government had to face in enacting almost a new piece of legislation. The legislation which is *in pari materia* with the Travancore-Cochin Act, is very different. In that Act there are certain provisions which are strict and stringent. Certain other provisions were covered by legislative Acts and rules and it was very difficult to copy or follow the Kerala Act in framing a new Act to suit our circumstances and also to provide for various possible difficulties in running chit funds. The Government had to make a number of concessions all round. Ultimately, the Bill as it has emerged, I submit to the House, has met the views of the largest section of all people concerned in this. Both the foremen and the large body of subscribers are satisfied that this Bill will go a long way to protect the interests of both sides. The foremen who were very nervous about this legislation and who thought that their trade would be stifled have, after all, found that the Bill, as it emerged from the Select Committee, would enable them to carry on their business, which they have been carrying on for ages, with considerable latitude. At the same time, subscribers have been given adequate protection in the various clauses. Therefore, I submit that this Bill as to a large extent met the needs of both the subscribers and the foremen and that in actual working it is bound to prove beneficial to the community as a whole. I move that the Bill, as amended, be passed.

MR. CHAIRMAN : Motion moved—

“ That the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 5 p.m. of 1960), as amended, be passed ”.

SRI K. BALASUBRAMANYA AYYAR : Sir, originally I thought that the procedure adopted in regard to this Bill would have a deterrent effect on the running of chit funds. I made enquiries and found that even after the Act was passed in Kerala State, there had been a large number of chit funds and that they were still continuing. Therefore, I feel that this legislation will not have that deterrent effect on the conduct of chits. Once we accept

[Sri K. Balasubramanya Ayyar] [24th February 1961]

that position, it is also felt necessary that the State should regulate a large number of transactions which are taking place under the nomenclature of "chit funds". I understand that even banks in many places and companies conduct chits. When such is the case, we will have to welcome a Bill of this sort.

At the same time, on account of the fact that the chit transaction is based largely upon contracts between the foreman and a large number of subscribers, we have to be very careful to see that the contract sways the whole transaction and there is no interference by Courts and by State. Therefore, a *via media* must be found between these two things. So far as this Bill is concerned, we have a fairly satisfactory *via media*. Therefore, on the whole, I welcome this Bill and support its passage.

MR. CHAIRMAN: The question is—

"That the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 of 1960), as amended, be passed".

The motion was put and carried and the Bill, as amended, was passed.

MR. CHAIRMAN: The House will now adjourn and meet again at 3 p.m. to-morrow.

The House then adjourned.

V.—PAPERS LAID ON THE TABLE OF THE HOUSE.

*208. Notification issued with G.O. Ms. No. 3765, Home, dated 21st November 1960, regarding amendment to the rules for the management of Special Homes and Work Houses in the City of Madras, 1955.

* 209. Notification regarding the powers delegated to the Regional Inspector of Municipal Councils and Local Boards, North Arcot district.

** 210. Notification issued with G.O. Ms. No. 4162, Home, dated 15th December 1960 regarding amendment to the rules published with Home Department Notification No. 1074, dated 25th August 1938 in the Fort St. George Gazette, dated 13th September 1938 under the Madras Borstal Schools Act, 1925 (Madras Act V of 1926).

** 211. Notification issued with G.O. Ms. No. 4005, Home, dated 7th December 1960 regarding rules for the collection of Court-fees refunded in cases where the orders of remand are set aside.